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SUBJECT: READOUT ON MTCR DUTCH CHAIR VISIT TO SOUTHEAST ASIA

CLASSIFIED BY A/POLCOUNS ERIC LUNDBERG; REASONS 1.5 (B,D).

1.(C) SUMMARY; THE DUTCH MTCR CHAIR DEEMS ITS RECENT VISIT TO MALAYSIA, SINGAPORE, HONG KONG AND MACAU A "SUCCESS" IN THAT IT DEEPENED UNDERSTANDING OF MTCR WITH ALL FOUR COUNTRIES, PAVED THE WAY FOR FURTHER MTCR CONTACT IN THE LATTER THREE DESTINATIONS AND REMOVED SOME MALAYSIAN "MISTRUST" OF THE MTCR. STILL, THE DUTCH PREDICT HARD SLOGGING WITH KUALA LUMPUR IF BETTER NON-PROLIFERATION EXPORT CONTROLS ARE EVER TO BE REALIZED. THEY ARE MUCH MORE POSITIVE ABOUT THE PROSPECTS IN SINGAPORE, HONG KONG AND MACAU. FINALLY, THE DUTCH FOREIGN MINISTER SEEMS TO HAVE SAID NOTHING MISSILE-SPECIFIC IN HIS BRIEF DISCUSSIONS ABOUT WMD ISSUES WHEN MEETING IRANIAN FM KHARAZZI IN TEHRAN. THE IRANISANS HAVE YET TO RESPOND TO THE DUTCH PROPOSAL, MADE TWO WEEKS AGO, FOR A MTCR VISIT TO TEHRAN ON OR ABOUT SEPTEMBER 11. END SUMMARY.

TEXT OF DUTCH MTCR TRIP REPORT FOR FUTURE PARIS POC MTG
(PROTECT UNTIL RELEASE AT NEXT MTCR POC MEETING)

2.(C/REL MTCR - REL TO MTCR UPON LATE JUNE POC MTG CIRCLTN)

BEGIN TEXT OF DUTCH MTCR TRIP REPORT:

GENERAL

IN ACCORDANCE WITH THE MANDATE GIVEN BY THE NOORDWIJK PLENARY, A TEAM OF MTCR PARTNERS LED BY THE NETHERLANDS CHAIR, PAID A VISIT TO THE TRANSSHIPMENT CENTERS SINGAPORE, HONG KONG, AND MACAU. THE TEAM ALSO MADE USE OF THE OPPORTUNITY OF BEING IN ASIA TO VISIT MALAYSIA, IN ACCORDANCE WITH THE INTERSESSIONAL REQUEST TO THIS EFFECT, AS ORIGINALLY TABLED BY THE U.S. AND RUSSIAN FEDERATION (RF).

IN ADDITION TO THE ACTING CHAIRMAN AND THE REPRESENTATIVES FROM THE NETHERLANDS CHAIR, THE MTCR TEAM INCLUDED REPRESENTATIVES FROM FINLAND (IN THE PERSON OF THE FUTURE CHAIRMAN HIMSELF) AND JAPAN, AND WAS JOINED AT A LOCAL LEVEL BY REPRESENTATIVES FROM THE AUSTRALIAN AND NEW ZEALAND MISSIONS IN THE FOUR CAPITALS.

ASIDE FROM THE MORE GENERAL AIM OF DISCUSSING AND RAISING AWARENESS OF THE DANGERS OF MISSILE PROLIFERATION AND OF SUPPLYING INFORMATION ON THE WAYS THE MTCR ADDRESSES SUCH CONCERNS, THE VISITS TO SINGAPORE, HONG KONG AND MACAU WERE USED TO FOCUS SPECIFIC ATTENTION ON THE ROLE THAT TRANSSHIPMENT CENTERS CAN PLAY IN ACQUISITION EFFORTS BY PROLIFERATORS TO OBTAIN MISSILES AND/OR SENSITIVE TECHNOLOGY THAT CAN BE USED FOR THEIR MISSILE PROGRAMS. INTERLOCUTORS WERE ENCOURAGED TO ADHERE TO THE MTCR GUIDELINES, WITH A VIEW TO COUNTER THESE DANGERS, AND WERE OFFERED ASSISTANCE BY MTCR PARTNERS IN BUILDING UP AND FURTHER STRENGTHENING THEIR EXPORT AND TRANSSHIPMENT CONTROLS. IN THIS FRAMEWORK AN OVERVIEW WAS GIVEN OF THE NETHERLANDS EXPORT AND TRANSSHIPMENT CONTROL SYSTEM BY WAY OF AN EXAMPLE OF THE MTCR GUIDELINES, ALONG WITH SIMILAR UNDERTAKINGS OF A POLITICALLY BINDING NATURE IN THE FRAMEWORK OF OTHER EXPORT CONTROL REGIMES ARE INCORPORATED INTO NATIONAL LAW. IT WAS STRESSED THAT THIS WAS BY NO MEANS A BLUEPRINT FOR THE IDEAL CONTROL SYSTEM, AND THAT IT WAS OF COURSE UP TO THE MTCR PARTNERS TO DECIDE HOW TO IMPLEMENT AND INCORPORATE THE MTCR UNDERTAKINGS AT A NATIONAL LEVEL, IN ACCORDANCE WITH THEIR OWN LEGISLATION AND RESOURCES.

IN ACCORDANCE WITH THE INTERSESSIONAL MANDATE FOR THE VISIT TO MALAYSIA, THE TALKS WITH THE AUTHORITIES IN KUALA LUMPUR HAD A MORE GENERAL BEARING, AND NO SPECIAL FOCUS WAS GIVEN TO TRANSSHIPMENT ISSUES, ALTHOUGH THE SUBJECT WAS, UNAVOIDABLY, TOUCHED UPON IN THE COURSE OF THE DISCUSSIONS.

SINGAPORE

IN SINGAPORE THE MTCR MISSION WAS RECEIVED BY A DELEGATION LED BY MRS. KHENG HUA ISELI, DIRECTOR FOR INTERNATIONAL ORGANIZATIONS OF THE MINISTRY OF FOREIGN AFFAIRS AND COMPRISING OFFICIALS FROM THE MFA, THE MINISTRY OF TRADE AND INDUSTRY, THE MINISTRY OF DEFENSE, THE TRADE DEVELOPMENT BOARD, AND THE CUSTOMS AND EXCISE DEPARTMENT. THE FULL DELEGATION LIST IS ANNEXED FOR PARTNERS' INFORMATION.

THE SINGAPORE AUTHORITIES WELCOMED THE VISIT OF THE MTCR MISSION AND STRESSED THEIR COUNTRY'S GENERAL SUPPORT FOR THE NON PROLIFERATION AIMS AND OBJECTIVES OF THE MTCR. THEY UNDERLINED THAT SINGAPORE FROM ITS PART HAD AN ADEQUATE SYSTEM OF CONTROLS, BASED ON ITS IMPORT CERTIFICATE AND DELIVERY VERIFICATION (IC/DV) SYSTEM, REQUIRING PERMITS FOR THE IM-AND EXPORT OF STRATEGIC GOODS TO AND FROM SINGAPORE. HOWEVER, AS A COUNTRY THAT IS ENTIRELY DEPENDENT ON TRADE, SINGAPORE WAS FORCED TO STRIKE A BALANCE BETWEEN ITS COMMERCIAL INTERESTS AND ITS CONTROLS ON TRADE. TOO RIGID A CONTROL SYSTEM COULD RUN COUNTER TO THOSE COMMERCIAL INTERESTS. IN THIS FRAMEWORK IT WAS EXPLAINED THAT TRANSACTIONS ARE ONLY CONTROLLED WHEN A SINGAPOREAN ENTITY IS INVOLVED IN THE DEAL, AS A CONSIGNOR OR A CONSIGNEE. AS A RULE, THEREFORE, TRANSSHIPMENT FLOWS FROM A FOREIGN CONSIGNOR TO A FOREIGN CONSIGNEE ARE NOT CONTROLLED, IRRESPECTIVE OF WHETHER THE GOODS REMAIN ON BOARD OR ARE DOWNLOADED AT THE SINGAPORE HARBOR/AIRPORT. IN THE VIEW OF SINGAPORE IT WAS PRIMARILY THE EXPORTING COUNTRY'S RESPONSIBILITY (AND HENCE NOT THE TRANSSHIPMENT COUNTRIES') TO CONTROL THAT SENSITIVE GOODS WOULD NOT FALL INTO WRONG HANDS.

THE CHAIR, FROM HIS SIDE, STRESSED THE VIEW THAT NON-PROLIFERATION IS A SHARED RESPONSIBILITY OF ALL PARTIES CONCERNED; EXPORTING COUNTRIES COULD NOT DO IT ALONE, THE CO-OPERATION OF TRANSSHIPMENT CENTERS WAS ALSO ESSENTIAL. A PEACEFUL AND STABLE ENVIRONMENT WAS A CONDITIO SINE QUA NON FOR TRADE. THEREFORE, THERE WAS NO QUESTION OF CHOOSING BETWEEN STRICT CONTROLS AND COMMERCIAL INTERESTS, THE TWO SHOULD GO HAND IN HAND.

IN THIS CONTEXT THE QUESTION WAS PUT TO THE SINGAPORE AUTHORITIES WHETHER SINGAPORE WOULD BE WILLING AND ABLE TO CONTROL TRANSSHIPMENT CONSIGNMENTS ON REQUEST OF A FOREIGN GOVERNMENT IN CASE OF SUSPICION OF DEVIATION TO UNDESIRABLE DESTINATIONS, AND WOULD BE ABLE TO SEIZE SUCH SHIPMENTS, IF THE SUSPICIOUS PROVED JUSTIFIED. THE REPLY WAS THAT THERE WAS NO LEGAL FRAMEWORK FOR STOPPING SUCH TRANSSHIPMENT CONSIGNMENTS, BUT THAT IN SUCH CASES COOPERATION OF THE SHIPPING AGENCY COULD BE SOUGHT ON THE BASIS OF PERSUASION. IT WAS STATED THAT, IN PRACTICE, THIS APPROACH HAD BEEN SUCCESSFUL.

WHEN ASKED WHETHER THE SINGAPORE AUTHORITIES WERE PLANNING TO REVIEW THEIR EXPORT AND TRANSSHIPMENT CONTROLS AND WOULD, FOR INSTANCE, CONTEMPLATE INTRODUCING A CATCH-ALL OR AD-HOC MECHANISM FOR THE LICENSING OF TRANSSHIPMENT TRANSACTIONS, SIMILAR TO THE NETHERLANDS EXAMPLE, THE SINGAPORE INTERLOCUTORS AGAIN POINTED OUT THAT THEY BELIEVED THE CURRENT CONTROL SYSTEM WAS ADEQUATE AND ALLOWED SINGAPORE TO ENACT ITS INTERNATIONAL OBLIGATIONS. AT THE SAME TIME, HOWEVER, THEY DID EXPRESS AN INTEREST IN THE WORKING OF THE AD HOC LICENSING SYSTEM, AND WOULD LIKE TO RECEIVE SOME FEEDBACK ON ITS FUNCTIONING IN PRACTICES.

THE CHAIR INDICATED THE READINESS OF THE MTCR TO SUPPLY SINGAPORE WITH ALL RELEVANT INFORMATION AND SUPPORT, AND PROPOSED ESTABLISHING A FRAMEWORK FOR FUTURE CONTACTS ON A MORE REGULAR BASIS AND THROUGH THE INTERMEDIARY OF A FIXED POINT OF CONTACT ON BOTH SIDES. ALTHOUGH SINGAPORE DID NOT REJECT CONTINUATION OF THE DIALOGUE, ITS RESPONSE TO THIS PROPOSAL WAS RATHER EVASIVE, INDICATING THAT DIPLOMATIC CHANNELS COULD BE USED IF AND WHEN THERE WAS ANY SPECIFIC NEED FOR FURTHER CONTACTS.

THE VISIT OF THE MTCR TEAM LARGELY REAFFIRMED THE IMPRESSIONS OF THE JAPANESE COLLEAGUES AFTER THEIR BILATERAL DIALOGUE EARLIER THIS YEAR (POC DOC 19, OF FEBRUARY 2000): SINGAPORE EXERCISES A LIMITED CONTROL ON EXPORTS OF STRATEGIC GOODS FROM ITS TERRITORY, ON THE BASIS OF A BY NO MEANS COMPREHENSIVE LIST OF SENSITIVE ITEMS. TRANSSHIPMENT IS, AS A RULE, NOT CONTROLLED AT ALL. BECAUSE ITS BASIC PERCEPTION STILL SEEMS TO BE THAT RIGOROUS CONTROLS WOULD HAMPER COMMERCIAL INTERESTS, IT DOES NOT SEEM TO BE VERY WILLING TO IMPROVE ITS CONTROL SYSTEM. HOWEVER, AS ALREADY INDICATED, THERE SEEMS TO BE AN INTEREST IN A CATCH-ALL, AD-HOC

LICENSING MECHANISM, WHICH COULD BE EMPLOYED IN CASES WHERE INDICATIONS ARE RECEIVED OF EXPORT/TRANSSHIPMENT TO COUNTRIES OF CONCERN.
HONG KONG

IN HONG KONG THE MTCR MISSION WAS RECEIVED BY A DELEGATION LED BY MISS YVONNE CHOI, DEPUTY SECRETARY FOR TRADE AND INDUSTRY. THE MEMBERS OF THE DELEGATION INCLUDED MISS ELIZA LEE, ASSISTANT DIRECTOR GENERAL OF THE TRADE DEPARTMENT, AND MR. ANDREW WONG, HEAD OF TRADE CONTROLS, CUSTOMS AND EXCISE DEPARTMENT.

MISS CHOI EXPRESSED HER GREAT APPRECIATION FOR THIS FIRST OFFICIAL MTCR VISIT TO HONG KONG, WHICH WOULD GIVE THE MEMBERS OF THE MISSION AN OPPORTUNITY TO SEE THE FUNCTIONING OF THE HONG KONG CONTROL SYSTEM WITH THEIR OWN EYES. HONG KONG GREATLY VALUED SUCH EXCHANGES OF VIEWS, AND WELCOMED A FURTHER ENHANCEMENT OF THE TIES WITH THE MTCR IN THE FUTURE. THE MTCR TEAM RECEIVED PRESENTATIONS OF THE - IMPRESSIVE - HONG KONG CONTROL SYSTEM ON IM-AND EXPORT, AND TRANSSHIPMENT OF STRATEGIC GOODS. SERVICES, INCLUDING BROKERING, IN THE CONTEXT OF WMD PROGRAMS ARE ALSO SUBJECT TO LICENSING REQUIREMENTS.

ON THE BASIS OF CONTROL LISTS, WHICH MIRROR THE LISTS OF THE EXPORT CONTROL REGIMES, AND WHICH ARE REGULARLY UPDATED, SHIPMENTS ARE STRINGENTLY CONTROLLED BY THE HONG KONG AUTHORITIES. FOR EACH TRANSACTION AN INDIVIDUAL LICENSE IS REQUIRED. FOR RE-EXPORT FROM HONG KONG, AT ALL TIMES AN END USE CERTIFICATE AND A RE-EXPORT AUTHORIZATION BY THE EXPORTING STATE ARE REQUIRED, TOGETHER WITH AN ACCEPTANCE OF THE POSSIBILITY OF END USE CHECKS. IN THIS WAY THE HONG KONG CONTROLS COMPLEMENT THE EXPORT CONTROLS OF THE ORIGINAL EXPORTING COUNTRY. BOTH THE CONSIGNOR, THE CONSIGNEE, AS WELL AS THE TRANSPORTER ARE RESPONSIBLE FOR UPHOLDING THE LAW: "ANYBODY WHO HAS A HAND IN THE TRANSACTION CAN BE HELD ACCOUNTABLE." IN ORDER TO ENSURE COMPLIANCE, THE HONG KONG AUTHORITIES HAVE EXTENSIVE POWERS OF ENFORCEMENT, TO THE POINT THAT, WITH THE EXCEPTION OF DOMESTIC PREMISES, SEARCHES MAY BE EFFECTED WITHOUT CUSTOMS ORDER.

VIS-A-VIS THE PRC, HONG KONG MAINTAINS STRICT AUTONOMY AS REGARDS ITS TRADE CONTROLS: TRADE FLOWS ACROSS THE PRC-HONG KONG BORDER ARE SUBJECT TO THE SAME LICENSING REQUIREMENTS AND CONTROLS AS TRADE WITH OTHER COUNTRIES. EVEN PLA VEHICLES ARE REQUIRED TO SUBMIT ONE WEEK'S ADVANCE NOTIFICATION WITH PARTICULARS ON PERSONNEL AND GOODS.

IT WAS UNDERLINED THAT HONG KONG'S COMMITMENT OF STRINGENT LICENSING AND CONTROLS WAS BORN OUT OF SELF INTEREST. IF HONG KONG WANTS TO MAINTAIN ITS POSITION AS HIGH TECH HUB, IT NEEDS TO ENSURE THAT IT CAN ACQUIRE THE NECESSARY INFLOW OF TECHNOLOGY FROM ITS TRADING PARTNERS, AND THIS IS ONLY POSSIBLE IF THOSE PARTNERS CONTINUE TO HAVE FULL CONFIDENCE IN ITS EXPORT CONTROLS, SO AS TO BE SURE THAT THAT TECHNOLOGY IS NOT RE-EXPORTED TO UNDUE DESTINATIONS. SINCE ITS REVERSION TO CHINA, HONG KONG UNFORTUNATELY NO LONGER FORMED PART OF THE EXPORT CONTROL REGIMES, BUT IT WAS DETERMINED TO CONTINUE TO LIVE UP TO THE EXPORT REGIMES GUIDELINES AND STANDARDS. FORTUNATELY, IT RECEIVED ADEQUATE INFORMATION AND HELP FROM PARTNERS TO ENABLE IT TO DO SO.

THE DISCUSSIONS WERE COMPLEMENTED WITH VISITS TO THE LOK MA CHAU BORDER CONTROL POINT WITH THE PRC, AND THE CUSTOMS AND EXCISE DEPARTMENT OF THE HONG KONG INTERNATIONAL AIRPORT.

IN CONCLUSION, THE MTCR TEAM RECEIVED A VERY FAVORABLE IMPRESSION OF THE HONG KONG TRADE CONTROL SYSTEM, WHICH CAN SERVE AS AN EXAMPLE FOR OTHER TRANSSHIPMENT CENTERS IN THE WORLD. HONG KONG HAS BEEN VERY ACTIVE IN ADVERTISING ITS CONTROL SYSTEM, INTER ALIA THROUGH NUMEROUS PRESENTATIONS AT EXPORT CONTROL SEMINARS, ETC. FOR THE INFORMATION OF PARTNERS, A COPY OF AN OUTLINE OF THE SYSTEM IS ANNEXED.

ONE POINT OF CONCERN WOULD SEEM TO BE THE FACT THAT NOT ALL IN-TRANSIT CONSIGNMENTS OF SENSITIVE GOODS CAN BE CONTROLLED AND SEIZED, EVEN IN CASE OF HARD EVIDENCE OF UNDUE GOINGS ON. THIS IS ON ACCOUNT OF THE FACT THAT FOR IN TRANSIT CONTROLS A SHORT LIST OF VERY SENSITIVE ITEMS ("SCHEDULE 2") IS USED, AS OPPOSED TO THE COMPREHENSIVE LIST ("SCHEDULE 1") USED FOR IM AND EXPORT CONTROLS, AS WELL CONTROLS OF TRANSSHIPMENT INVOLVING UNLOADING OF THE GOODS. IN THIS RESPECT, THE HONG KONG SHOWED AN ACTIVE INTEREST IN THE CATCH-ALL AD HOC LICENSING MECHANISM AS INCORPORATED IN THE NETHERLANDS EXPORT AND TRANSSHIPMENT CONTROL SYSTEM.

IT WAS AGREED THAT DIRECT CONTACTS BETWEEN THE MTCR AND HONG

KONG WILL BE INTENSIFIED, AND TO THIS END FORMAL POINTS OF CONTACT WILL BE ESTABLISHED ON BOTH SIDES.

MACAU

IN MACAU, THE MTCR DELEGATION WAS RECEIVED BY A DELEGATION HEADED BY MR. ANTONIO PEDRO, ADVISER TO THE SECRETARY FOR ADMINISTRATION AND JUSTICE. THE MACAU DELEGATION FURTHER INCLUDED REPRESENTATIVES OF THE OFFICE OF THE SECRETARY OF ECONOMY AND FINANCE, THE MARINE AND CUSTOMS POLICE, AND THE ECONOMIC SERVICES.

IT WAS EXPLAINED THAT THE MACAU GOVERNMENT WAS IN THE PROCESS OF SETTING UP A NEW, SINGLE CUSTOMS ENTITY WHICH WOULD BE IN CHARGE OF TRADE CONTROLS. FOR THE TIME BEING, MACAU RELIED ON A DUAL SYSTEM WHEREBY THE TECHNICAL ADMINISTRATION WAS CARRIED OUT BY THE ECONOMIC SERVICES AND THE CONTROLS ON TRADE WERE CARRIED OUT BY THE MARINE AND CUSTOMS POLICE.

HAVING SAID THIS, WHAT FOLLOWED AS A DESCRIPTION OF WHAT SEEMS A RATHER WEAK LICENSING AND CONTROL SYSTEM. WITHOUT GOING INTO DETAILS - THESE WERE NOT SUPPLIED - IT WOULD SEEM THAT THIS SYSTEM ONLY APPLIES TO THE IM AND EXPORT OF A SHORT LIST OF "CONVENTIONAL ARMS, MILITARY VEHICLES AND AMMUNITION." CONTROL WAS DESCRIBED AS STRICT, AND EASILY ENFORCEABLE, DUE TO THE LIMITED VOLUMES OF GOODS INVOLVED. THE SYSTEM, HOWEVER, DOES NOT APPLY TO DUAL USE GOODS, NOR TO TRANSSHIPMENT FLOWS. THE AUTHORITIES WERE AWARE THAT THEY SYSTEM WAS FAR FROM PERFECT, BUT MENTIONED THAT MACAU ONLY HAD A SMALL HARBOR, WHICH WAS HARDLY SUITABLE FOR THE TRANSSHIPMENT OF LARGE CONSIGNMENTS OF ILLICIT GOODS. UNTIL 1995 THERE HAS ALSO NOT BEEN AN AIRPORT, AND AT THE MOMENT THE NEW AIRPORT WAS NOT USED TO CAPACITY.

IN THE LIGHT OF THE REVERSION TO THE PRC, THE MACAU AUTHORITIES HAD HAD TO GIVE PRIORITY TO OTHER URGENT NEEDS. HOWEVER, THEY WERE CONSCIOUS OF THEIR INTERNATIONAL RESPONSIBILITIES IN THE FIELD OF NON PROLIFERATION, AND WERE WILLING TO IMPROVE THEIR CONTROLS. FOR THIS, HOWEVER, THEY NEEDED ASSISTANCE AND INFORMATION FROM THE MTCR PARTNERS.

THE MTCR TEAM, IN RESPONSE, URGED THE MACAU AUTHORITIES TO AFFORD AS MUCH PRIORITY AS POSSIBLE TO STRENGTHENING THEIR EXPORT CONTROLS, TAKING INTO ACCOUNT THAT TRADE VOLUMES COULD BE EXPECTED TO INCREASE OVER THE COMING YEARS, AND ALSO SEEING THE FACT THAT CERTAIN INDICATIONS HAD BEEN RECEIVED THAT NORTH KOREA WAS ALREADY USING MACAU AS A TRANSSHIPMENT CENTER. THE MTCR OFFERED ALL NECESSARY ASSISTANCE TO MACAU IN THIS RESPECT. IN PARTICULAR, JAPAN PROPOSED THAT THE JAPANESE EXPORT CONTROLS EXPERT, WHO WAS CURRENTLY ASSISTING THE HONG KONG AUTHORITIES, WOULD PAY A VISIT TO MACAU AFTER THE COMPLETION OF HIS TASKS IN JULY. THIS PROPOSAL WAS GRATEFULLY ACCEPTED. IT WAS DECIDED TO APPOINT MR. NG KUOK HENG, ASSISTANT COMMISSIONER OF THE MACAU MARINE AND CUSTOMS POLICE AS POINT OF CONTACT FOR FUTURE CONTACTS WITH THE MTCR.

FOLLOWING THIS MEETING, THE MTCR DELEGATION WAS ALSO RECEIVED BY THE SECRETARY OF SECURITY OF THE MACAU SAR, MR. CHEONG KUOC VA, WHO EXPRESSED HIS APPRECIATION FOR THE MTCR VISIT AND REAFFIRMED MACAU'S WILLINGNESS TO WORK TOGETHER WITH THE MTCR TO IMPROVE ITS CONTROLS.

ALL IN ALL, THE MTCR TEAM ESTABLISHED THAT MACAU CURRENTLY DOES NOT HAVE AN ADEQUATE EXPORT AND TRANSSHIPMENT CONTROL SYSTEM. IT IS CONSCIOUS OF THIS FACT AND IS ALSO WILLING TO STRENGTHEN ITS CONTROLS IN COOPERATION WITH THE MTCR AND OTHER EXPORT CONTROL REGIMES. IT HAS, HOWEVER, BEEN FORCED TO GIVE PRIORITY TO OTHER MATTERS FIRST. HERE OBVIOUSLY LIES A TASK FOR MTCR PARTNERS. AS STATED, A JAPANESE EXPORT CONTROLS EXPERT WILL VISIT MACAU SHORTLY.

MALAYSIA

AS STATED, THE MTCR TEAM MADE USE OF ITS PRESENCE IN ASIA TO ALSO VISIT KUALA LUMPUR. THE DELEGATION WAS RECEIVED BY A DELEGATION OF OFFICIALS FROM THE MINISTRIES OF FOREIGN AFFAIRS AND DEFENSE, HEADED BY MR. G. HUSSEIN BIN G. HANIFF, UNDER SECRETARY FOR MULTILATERAL AND POLITICAL AFFAIRS OF THE MFA.

THE MALAYSIAN SIDE EXPRESSED ITS APPRECIATION FOR THIS FIRST OFFICIAL VISIT BY AN EXPORT CONTROL REGIME TO KUALA LUMPUR, AND WAS GRATEFUL TO HEAR ABOUT THE STEPS THAT WERE BEING TAKEN BY MTCR PARTNER STATES TO COUNTER PROLIFERATION OF MISSILES AN SENSITIVE MISSILE TECHNOLOGY. FROM ITS SIDE,

MALAYSIA AT THE MOMENT DID NOT HAVE A COMPREHENSIVE EXPORT CONTROL SYSTEM. CERTAINLY, MALAYSIA WAS POLITICALLY COMMITTED TO NON-PROLIFERATION AND TO THE CREATION OF A WORLD FREE OF WMD. BUT PUTTING IN PLACE AND IMPLEMENTING A COMPREHENSIVE CONTROL MECHANISM WAS SEEN AS A DIFFICULT TASK. MALAYSIA DID NOT HAVE THE CAPABILITIES TO ACHIEVE SUCH A GOAL. THERE WERE LICENSING REQUIREMENTS AND CONTROLS FOR THE IMPORT AND EXPORT OF SOME SPECIFIC GOODS AND COMMODITIES, INCLUDING ARMS, BUT THE CONCEPT OF DUAL-USE GOODS, AS DESCRIBED BY THE MTCR TEAM, WAS NEW AND NOT WELL UNDERSTOOD BY MALAYSIA. HOW COULD ONE ESTABLISH THAT CERTAIN CHEMICALS WERE INTENDED FOR USE IN WMD PROGRAMS, AND NOT FOR INSTANCE FOR LEGITIMATE FERTILIZER PROGRAMS AND SUCH?

GENERALLY SPEAKING, IT WAS UNDERLINED THAT MALAYSIA WAS LARGELY DEPENDENT ON ITS TRADE, AND WAS AFRAID THAT A COMPREHENSIVE CONTROL SYSTEM WOULD RUN COUNTER TO ITS COMMERCIAL INTERESTS, WHICH WERE MALAYSIA'S PRINCIPLE SOURCE OF INCOME. ITS MAIN PRIORITY WAS TO EXPAND ITS HARBOR FACILITIES, WHICH WERE STILL VERY MUCH SMALLER THAN SINGAPORE, AND IT FELT THAT TOO MANY CONTROLS WOULD RUN COUNTER TO THIS OBJECTIVE.

FROM ITS SIDE, THE MTCR TEAM ONCE AGAIN UNDERLINED ITS VIEW THAT NON-PROLIFERATION IS A SHARED RESPONSIBILITY OF ALL PEACELOVING NATIONS, AND THAT REGIONAL STABILITY AND SECURITY ARE NECESSARY PREREQUISITES FOR ESTABLISHING FREE TRADE RELATIONS. IN THAT SENSE, EXPORT CONTROLS DO NOT RUN COUNTER TO COMMERCIAL INTERESTS, THEY ARE TWO SIDES OF THE SAME MEDALLION. IT WAS UNDERLINED THAT THE DUTCH EXPORT CONTROL SYSTEM WAS ONLY ONE WAY TO IMPLEMENT NON-PROLIFERATION UNDERTAKINGS, AND THAT EVERY COUNTRY WAS ENTITLED TO INCORPORATE A SYSTEM OF CONTROLS IN SCALE WITH ITS OWN POSSIBILITIES AND RESOURCES. AN EXAMPLE OF THIS WAS THE NEW ZEALAND SYSTEM, WHICH WORKED VERY WELL FOR THAT COUNTRY.

IN CONCLUSION, THE CHAIR EXPRESSED ITS HOPE THAT IT HAD BEEN ABLE TO CONVINCE THE MALAYSIAN AUTHORITIES OF THE URGENT NEED TO WORK TOGETHER WITH THE AIM OF COUNTERING THE PROLIFERATION OF MISSILES AND MISSILE TECHNOLOGY AND THAT THE VISIT WOULD INSPIRE THEM TO LOOK INTO THE IMPROVEMENT OF MALAYSIA'S EXPORT AND TRANSSHIPMENT CONTROLS. THE MTCR WAS READY TO PROVIDE THE NECESSARY ASSISTANCE AND INFORMATION TO THIS END, AND EXPRESSED THE HOPE THAT A FRAMEWORK COULD BE ESTABLISHED FOR FUTURE CONTACTS BETWEEN THE MTCR AND MALAYSIA, ESPECIALLY INCLUDING AT THE EXPERT LEVEL. TO THIS END IT WAS AGREED THAT THE MULTILATERAL POLITICAL AFFAIRS DIVISION OF THE MFA COULD ACT AS THE POINT OF CONTACT ON THE MALAYSIAN SIDE.

IN GENERAL, THE MTCR TEAM FELT THAT THE MALAYSIAN AUTHORITIES WILL NEED A GOOD DEAL OF CONVINCING IN ORDER TO IMPROVE MALAYSIAN EXPORT AND TRANSSHIPMENT CONTROLS. IN THEIR HEARTS, THEY BELIEVE RIGID CONTROLS ARE NOT COMPATIBLE WITH THEIR COMMERCIAL INTERESTS. HOWEVER, THEY DO NOT SEEM TO BE UNWILLING TO LOOK INTO THE MATTER, AND IN THAT REGARD SEEMED GENUINELY INTERESTED IN THE AD HOC MECHANISM, AS DESCRIBED IN THE OVERVIEW OF THE DUTCH EXPORT CONTROL SYSTEM. FOLLOW UP TO THE MTCR VISIT BY MTCR PARTNERS IS CRUCIAL IN THIS RESPECT.

PRELIMINARY CONCLUSIONS

THE MTCR TEAM CONSIDERS THAT ITS OUTREACH MISSION TO ASIA CAN CERTAINLY BE DEEMED TO HAVE FULFILLED ITS PRINCIPLE OBJECTIVE OF INFORMING THESE COUNTRIES ABOUT THE MTCR AND ITS OBJECTIVES, AND TRYING TO INVOLVE THEM CLOSER IN THE REGIME'S NON-PROLIFERATION EFFORTS.

OF COURSE THIS WAS HARDLY NECESSARY IN THE CASE OF HONG KONG, THE FACT THAT FOR THE FIRST TIME AN OFFICIAL MTCR MISSION MADE THE EFFORT TO TRAVEL TO THE HONG KONG SAR WAS OBVIOUSLY GREATLY APPRECIATED, AND CAN ONLY HELP TO FURTHER STRENGTHEN HONG KONG'S RESOLVE TO UPHOLD AND WHERE POSSIBLE STRENGTHEN ITS ALREADY IMPRESSIVE EXPORT AND TRANSSHIPMENT CONTROLS. AS FOR MACAU, THE MTCR TEAM BELIEVES THAT THE MISSION WAS CERTAINLY APPRECIATED, AND IT HAS WITHOUT A DOUBT BEEN ABLE TO RAISE THE AWARENESS - AND WILLINGNESS - ON THE SIDE OF MACAU AUTHORITIES OF THE NEED TO IMPROVE ITS CONTROL SYSTEM. THE SINGAPOREAN AUTHORITIES ON THE WHOLE GAVE THE IMPRESSION THAT IT WOULD CERTAINLY TAKE SOME EFFORT TO CONVINCE THEM TO TAKE THE NECESSARY STEPS TO IMPROVE THEIR CONTROL SYSTEM, ESPECIALLY AS REGARDS THE CONTROL OF TRANSSHIPMENT FLOWS THROUGH SINGAPORE. HOWEVER, THE MTCR TEAM BELIEVES THAT IT CLEARLY CONVEYED THE MESSAGE THAT THE MTCR WANTS THEM TO ESTABLISH AND IMPLEMENT MORE STRINGENT EXPORT AND TRANSSHIPMENT CONTROLS. FINALLY, THE MTCR TEAM BELIEVES THAT AS FAR AS MALAYSIA IS CONCERNED, THE MISSION SEEMS TO HAVE BEEN SUCCESSFUL IN TAKING AWAY SOME OF THE MISTRUST THAT MAY HAVE EXISTED VIS-A-VIS THE MTCR, AND HAS AT LEAST SUCCEEDED IN OPENING A CHANNEL FOR FUTURE DIALOGUE WITH THE MALAYSIAN

AUTHORITIES.

THE MTCR TEAM BELIEVES THAT ITS VISIT SHOULD BE GIVEN THE NECESSARY FOLLOW-UP IN THE (NEAR) FUTURE, ESPECIALLY IN WAY OF BILATERAL VISITS AT THE EXPERT LEVEL AND OF INVITING THEM TO PARTICIPATE IN FUTURE SEMINARS OR MEETINGS IN THE FRAMEWORK OF THE ROUND TABLE MECHANISM.

END REPORT TEXT

SCHNEIDER